

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 OIC-04 SS-20 NSC-07 DRC-01 /170 W

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R 141650Z JUN 74

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DEPT PASS CEA, TREAS, FRB, COMMERCE

E.O. 11652: N/A

TAGS: ECON, EFIN, OECD

SUBJECT: PREPARATIONS FOR EPC MEETING, JUNE 24-25

REF: OECD DOCUMENT CPE(74)5 THRU 8

1. AGENDA FOR ECONOMIC POLICY COMMITTEE MEETING,
JUNE 24-25 FOLLOWS:

(1) ELECTION OF OFFICERS

(2) ADOPTION AGENDA

(3) ECONOMIC PROSPECTS - REFDOCS RELEVANT ESPECIALLY
CPE(74)7, MAIN ISSUES. SECRETARIAT ALSO DRAWS
ATTENTION TO CONCLUSIONS MINISTERIAL COUNCIL AND
ITS COMMUNIQUE.

(4) OTHER BUSINESS

EPC MEETING WILL COMMENCE 10:30 A.M. MONDAY, JUNE 24.

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SECRETARIAT HOPES TO END IT ABOUT 1:00 P.M. TUESDAY,

JUNE 25, BUT THIS WILL DEPEND ON SMALL COUNTRY PRESENTATIONS WHICH WILL TAKE UP TUESDAY MORNING SESSION. WP-3 WILL FOLLOW EPC AFTER LUNCH TUESDAY AND CONTINUE WEDNESDAY, JUNE 26.

2. PROCEDURE OF MEETING: SIR DOUGLAS ALLEN HAS AGREED TO STAY ON AS CHAIRMAN OF EPC FOR THE BALANCE OF THIS YEAR AND HIS ELECTION WILL BE PRO-FORMA. VACANCIES FOR CHAIRMEN WP-2 AND WP-4 NOT LIKELY BE RAISED IN MEETING. SIR DOUGLAS ALLEN PLANS START SUBSTANTIVE DISCUSSION WITH BIG SEVEN COUNTRIES, WITH THOSE IN WEAKER SITUATION LEADING OFF AND STRONGER ONES AT END. ORDER PLANNED IS THAT IN PARAS. 22-33, MAIN ISSUES DOCUMENT, WHICH PUTS US NEXT TO LAST OF SEVEN. EACH COUNTRY WILL BE ASKED TO COMMENT FIRST ON GENERAL QUESTIONS RAISED IN MAIN ISSUES DOCUMENT, AND THEN TO FOLLOW WITH ANSWERS TO THESE QUESTIONS IN CONTEXT ITS OWN NATIONAL POLICY. BOTH DOMESTIC AND EXTERNAL SITUATIONS ARE TO BE CONSIDERED TOGETHER IN THE COUNTRY'S PRESENTATION. A BRIEF COMMITTEE DISCUSSION WILL FOLLOW EACH COUNTRY PRESENTATION.

3. REFDOS ON ECONOMIC PROSPECTS: CPE(74)5, GENERAL ASSESSMENT, AND CPE(74)6, PROSPECTS SEVEN MAJOR COUNTRIES, WERE AIRPOUCHED WASHINGTON JUNE 10. MAIN ISSUES, CPE(74)7, AND REPORT OF WP-4 CHAIRMAN, CPE(74)8, WERE AIRPOUCHED ON JUNE 12. JUNZ (FRB) AND KLOCK (TREAS) ALSO HAND CARRIED COPIES TO WASHINGTON THIS WEEK. PLEASE CORRECT ERROR IN PAGINATION OF CPE(74)6 AS FOLLOWS: FINAL PAGE US NOTE IS DISPLACED AND NUMBERED AS PAGE 10 IN JAPANESE NOTE: CORRECT NUMBERING IS:

P10 TO BE P7
P7 TO BE P8
P8 TO BE P9
P9 TO BE P10

TWO PARAS ARE LABELLED 12 ON P14 (JAPAN) OF TEXT. REPORT OF CHAIRMAN WP-4 SEEMS COMPLETE AND LIMITED OFFICIAL USE

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REASONABLY UNBIASED REPORT OF MAY WP-4 MEETING. MISSION OBTAINED CHANGE IN WORDING OF REPORT REQUESTED PARA 2 STATE 122509, BUT NOT THAT REQUESTED PARA 3 OF MESSAGE.

4. MAIN ISSUES, CPE(74)7: SECRETARIAT RAISES FUNDAMENTAL QUESTION FOR EPC DISCUSSION IN PARA 14 OF DOC - ROLE OF DEMAND MANAGEMENT "WEAPON" IN ACHIEVING PRICE

STABILITY AND INTENSITY WITH WHICH "WEAPON" SHOULD BE USED IN PERIOD IMMEDIATELY AHEAD. SECRETARIAT CAUTIONS THAT FORECASTS TEND TO BE OPTIMISTIC AND THAT PRESENT ANALYSIS SUGGESTS THAT GROWTH AND EMPLOYMENT ARE MORE LIKELY FALL SHORT OF FORECASTS THAN TO EXCEED THEM.

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INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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OMB-01 OIC-04 SS-20 NSC-07 DRC-01 /170 W

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BUT GIVEN PRESENT INFLATIONARY SITUATION, SECRETARIAT WONDERS WHETHER, AS UNDER MORE NORMAL CONDITIONS MODERATE REFLATION MIGHT BE DESIRABLE, SUCH POLICY WOULD NOW BE INIMICAL TO PRICE STABILIZATION. IT ASKS QUESTION: SHOULD RISING UNEMPLOYMENT BE ACCEPTED FOR MOMENT ONGROUNDS IT LESS PERMANENTLY DAMAGING THAN CONTINUATION PRICE RISE AT PRESENT RATE?

5. US DEL TO EPC MAY ALSO WANT TAKE CLOSE LOOK AT SUGGESTION PARA 15 THAT IT MAY BE DESIRABLE CONSIDER CAREFULLY WHAT CAN BE DONE IN MEDIUM AND LONGER TERM TO STABILIZE COMMODITY PRICES. SPECIAL MEASURES TO CURB INFLATION GET POSITIVE TREATMENT IN PARAS. 11-13, AND SECRETARIAT SUGGESTS INDEXATION COULD IN

CERTAIN CASES BE USEFUL ADJUNCT TO OTHER
POLICIES BY GUARANTEEING REAL EARNING AND THUS POSSI-
BLY REDUCING MONEY WAGE PRESSURE.

6. ON INTERNATIONAL PAYMENTS, SECRETARIAT NOTES NON-
OIL BALANCE PAYMENTS SITUATION IS VERY UNEVEN AND
LIKELY GET WORSE IN 1974 FOR CONJUNCTURAL REASONS.
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IT STATES MORE EVEN DISTRIBUTION OF DEFICIT POSI-
TIONS WOULD MOST LIKELY BE ACHIEVED BY CHANGES IN
RELATIVE (UNDERScoreD) RATES GROWTH REAL OUTPUT, AND
SUGGESTS EITHER (UNDERScoreD) FASTER GROWTH HOME
DEMAND THAN FORECAST IN COUNTRIES WITH STRONG PAYMENTS
POSITIONS OR (UNDERScoreD) SLOWER GROWTH IN COUNTRIES
WITH WEAK POSITIONS. SECRETARIAT STATES COMMITTEE
WILL WISH DISCUSS EXTENT TO WHICH UNEVENNESS OF BALANCE
PAYMENTS CAN BE CORRECTED BY DEMAND MANAGEMENT POLICIES
AND SPEED AT WHICH ADJUSTMENT OF SITUATION SHOULD BE
BROUGHT ABOUT.

7. FOR US, SECRETARIAT RAISES QUESTION HOW FAR IT IS
DESIRABLE TO GO IN RESTRAINING GROWTH DEMAND, AND
SUGGESTS POSSIBLE AIM WOULD BE TO ACHIEVE RECOVERY OF
ACTIVITY NOT FAR SHORT OF POTENTIAL (4 PERCENT)
OVER NEXT 12 MONTHS, MAINTAINING MARGIN SLACK WHILE
BRINGING RECOVERY IN IMPORTS. SECRETARIAT NOTES
DIFFERENCE BETWEEN ITS FORECAST AND THAT OF US, AND
SUGGESTS EPC MAY WANT DISCUSS WHETHER IF IT BECOMES
CLEAR THAT MORE PESSIMISTIC OUTLOOK LIKELY, EPC WOULD
RECOMMEND SOME EXPANSIONARY ACTION OR NOT.

8. SOCIAL AND ADMINISTRATIVE MATTERS: BUREAU LUNCH
NOT YET FIRM BUT WILL LIKELY TAKE PLACE MONDAY,
JUNE 24. ACTING CHIEF MISSION WEIR BROWN WILL HOST
COCKTAIL PARTY AT CHATEAU FOR DELEGATES EPC AND WP-3
MEETINGS, TUESDAY EVENING JUNE 25. CAR HAS BEEN
ARRANGED FOR STEIN. MISSION UNABLE MEET OR PROVIDE
TRANSPORT FOR OTHER PARTICIPANTS.
BROWN

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